

NSTAR Position Outline
DTE-04-114
Meeting 6/20/05

Laddered Resource Portfolio Approach:

1. NSTAR's overall position is that the current arrangements of procuring one year contracts for 50% of needs is working reasonably well and we don't recommend a change (*NSTAR Electric Exhibit 1*). We arrive at this position after balancing several competing factors:
 - a. Longer term contracts provide price stability:
 - i. Risk that prices get out of sync with the market impeding competition.
 - ii. Larger price changes not favored by customers.
 - iii. Longer term is not necessarily lower in price.
 - iv. Less liquidity as suppliers have more risk from market rule changes and commodity price movement
 1. Resulting in higher prices
 - b. Shorter term contracts keep rates current with the market:
 - i. Smaller price changes occur (*NSTAR Electric Exhibit 2*)
 - ii. Consumers don't like frequent rate changes.
 - iii. Smaller tranches are less attractive to suppliers.
 - iv. More administration and cost for suppliers and utilities.
 - c. Customers making choices in the competitive market tend to make annual commitments rather than shorter term.
2. If the Commission wishes to consider an alternative, NSTAR has offered a "25% for 2 years, procured every 6 months" as an alternative:
 - a. Would increase the number of contracts blended from 2 to 4 providing more price diversity
 - b. Provides more price stability with longer term (*NSTAR Electric Exhibit 3*)
 - c. This would require a change in the regulations to allow utilities to enter into contracts of two years without DTE approval
 - i. Making Default/Basis service contracts subject to DTE approval would increase uncertainty for suppliers.
 - ii. Or possibly changes in bidding practices – refresh prices prior to approval.

Renewable Resources:

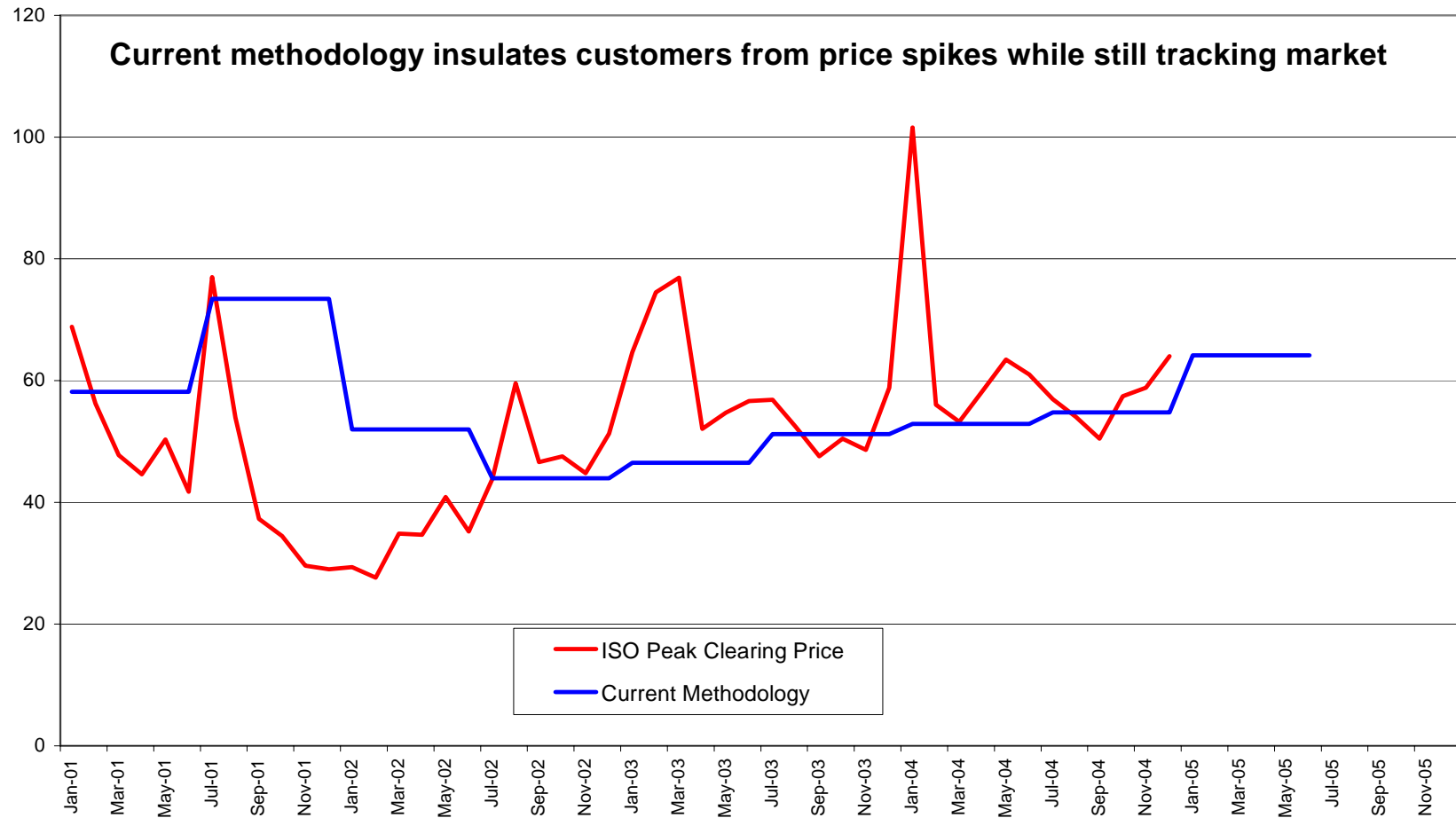
1. NSTAR is supportive of the development of renewable resources; however, we do not believe a docket for the procurement of basic service is the appropriate venue to develop policies relative to renewable resources.
 - a. The history of long term contracts has not been good resulting in high levels of stranded costs.

- b. There is another agency tasked with the development of renewable resources.
- c. The Massachusetts Green Power Partnership program is under way with separate funding and contract award criteria.
- d. Program is in early stage of development and is reported to be making progress towards the development of such resources.
- e. We don't have the facts in this case relative to the development of renewable resources that would enable us to make informed decisions.

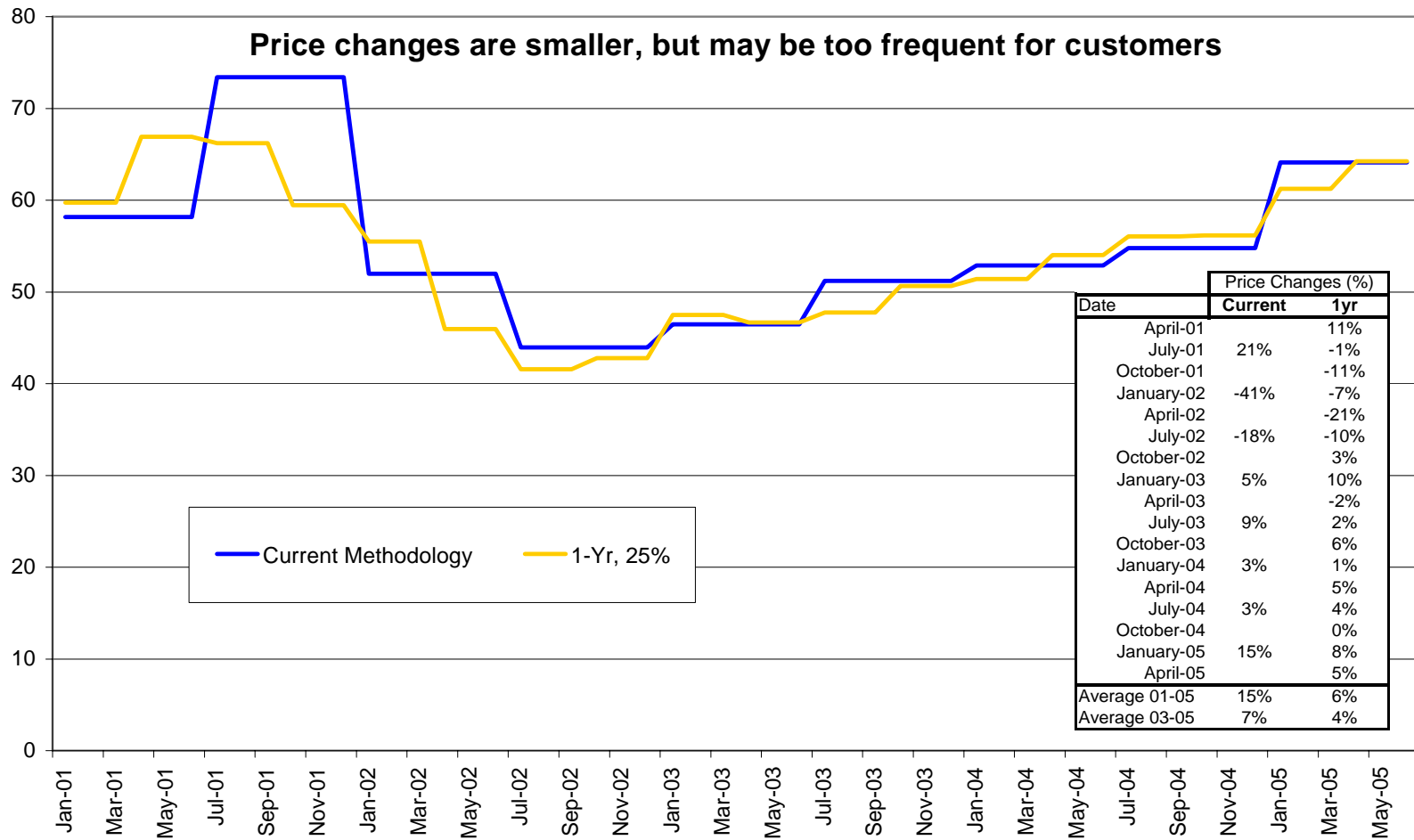
Expanding Customer Choice:

1. NSTAR recommends the following specific policy parameters:
 - a. The Department should apply a standard that will result in measurable benefits to customers;
 - b. Retail markets should be allowed to develop at a different pace for different customer groups;
 - c. Default Service prices should reflect no more and no less than the costs incurred to procure default service from the competitive market; and
 - d. Choice should be maintained and customers should not be involuntarily assigned to retail suppliers.

DTE 04-115
NSTAR Electric
Exhibit 1



**DTE 04-115
NSTAR Electric
Exhibit 2**



**DTE 04-115
NSTAR Electric
Exhibit 3**

